

Report of the King County General Government Budget Advisory Task Force

July 2003

**King County General Government
Budget Advisory Task Force
MISSION:**

Examine the County's Current Expense (CX) Fund, programs, policies, processes and budgets, and make recommendations regarding policy and operational changes that may provide appropriate additional cost savings, as well as the need, if any, for additional revenues in support of CX programs.

The work of the Task Force will include examination of general government functions and budgets, including but not limited to the courts, sheriff, jail, public health, human services, parks and central government functions. The Task Force will also review the 2003 budget process, and make recommendations about 2004 budget cuts.

Tasks

- Identify short term (2004) and long term direction/priorities for budget cuts.
- Identify short term and long term operational and other changes to address CX shortfall
- Determine whether there is a structural problem with the County's funding structure, and if so, does that require new funding sources? What type of funding sources?

BATF members

- Co-Chair Bob Wallace
- Co-Chair John Warner
- Honorable Terry Carroll
- Clem Edwards
- Rollin Fatland
- Honorable Booth Gardner
- Honorable Darcy Goodman
- Jim Hattori
- Connie Proctor
- Peggy Phillips
- Ralph Siegel
- Honorable John Spellman
- Aggie Sweeney

BATF timeline

- First meeting: November 13, 2002
- End date: June 25, 2003
- Met every two weeks
- Stakeholder discussions
- All meetings public

Major Conclusions

- There is a fiscal crisis in the County's general fund (CX– Current Expense Fund) services: structural mismatch between revenues available and responsibilities for service provision
 - Revenue Growth: <2% per year
 - Costs are growing at 5.5 – 6.5% per year
 - Cuts of \$15 - \$25 M to CX services will be necessary every year, absent new revenue.

Major Conclusions, cont'd.

- Efficiencies should be put in place to slow the rate of service cuts.
- New ways of doing business must be examined.
- Must align services and revenues: regional services are suffering at expense of local service burden to unincorporated areas.
- Many ways in which state could assist on revenue, fee setting authorities.

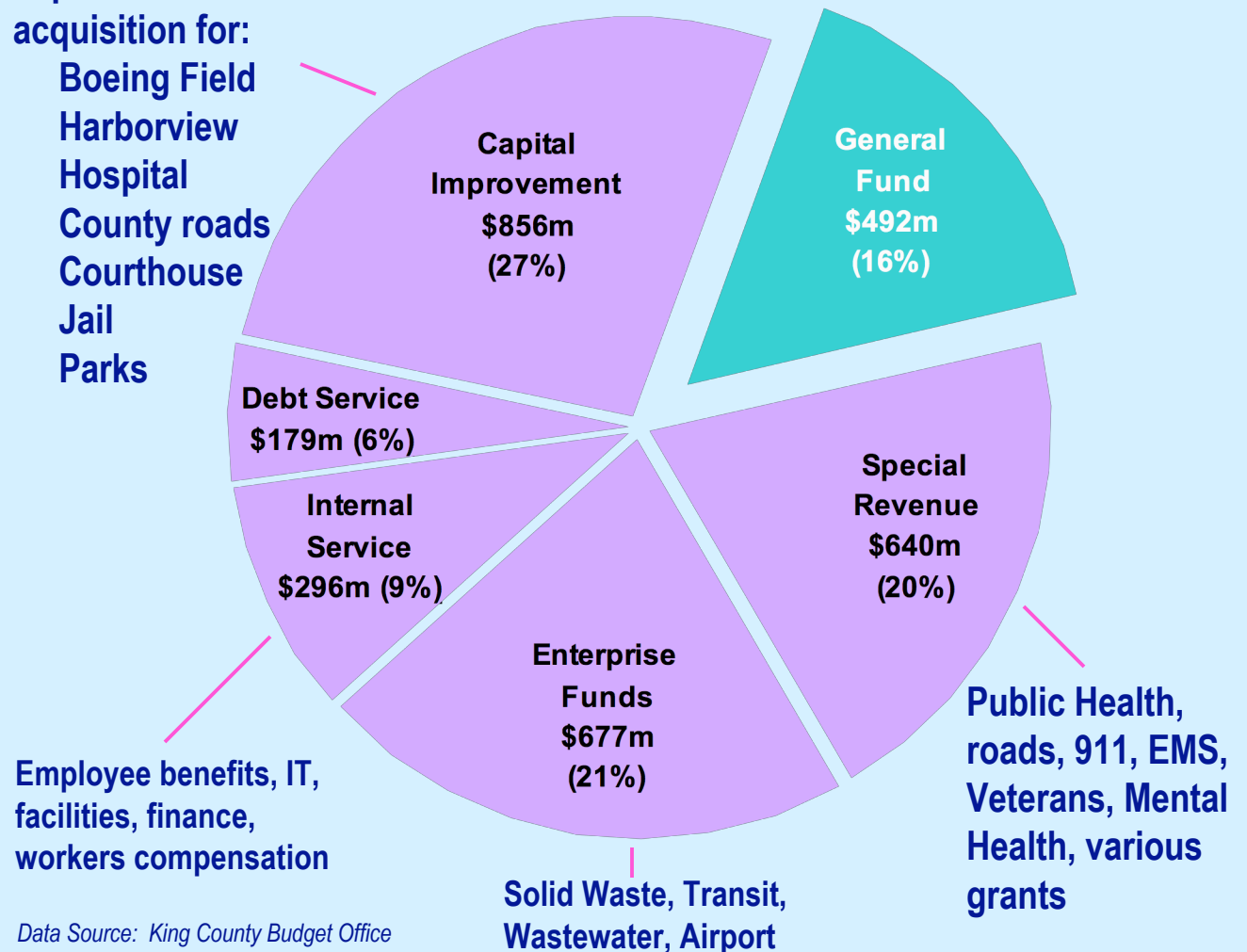
2003 Adopted Budget

General	\$	499.7
Special Revenue	\$	637.0
Enterprise	\$	693.6
Internal Service	\$	293.0
Debt Service	\$	179.0
CIP	\$	856
Total Budget	\$	3,179.5

The CX fund is the largest sub-fund within the general fund accounting for 99% of all expenditures

The General Fund is a small part of King County's Budget

Facility improvements & acquisition for:
Boeing Field
Harborview
Hospital
County roads
Courthouse
Jail
Parks



Data Source: King County Budget Office

6 Root Causes of the Problem

- Doing two jobs: Regional government and local government service provider.
- Decisions to provide discretionary services.
- Growing cost of services –salaries and benefits.
- Limited revenue base heavily dependent on property taxes.
- Subsidy of unincorporated area services.
- Complex, politicized, fragmented organization lacking good central systems, difficult culture.

Defining the Problem:

6 Root Causes of the CX Fiscal Crisis

- ***First:*** The County has two jobs:
 - As regional service provider, countywide
 - As local service provider in rural areas and in the remaining urban, unincorporated areas.
 - Most services are mandated, and must be funded from the Current Expense (CX) fund.

Regional Service Role

- Regional Service Role: mandated by state law
 - Superior court
 - Felony jail
 - Public defender
 - Prosecutor
 - Public records
 - Elections
 - Licensing
 - Assessor
 - Public Health services
- Also, per regional votes: transit, wastewater treatment, EMS, Automatic Fingerprint ID System (all regional, with dedicated funding sources)

Local Service Role

- Local Service Role: County provides these *mandated services* in unincorporated areas:
 - Court of limited jurisdiction
 - Sheriff services
 - Land-use planning
 - Building permits
 - Fire inspections
 - Roads (separate fund)
 - Jail for misdemeanants
 - Surface water management (separate fund)

Root Causes, Cont'd.

- *Second:* in addition to its mandated responsibilities, the County has chosen to provide many discretionary services.

Discretionary Service roles

- not required by law – regional and/or local:
 - Parks
 - Human services
 - Community health clinics
 - Animal control
 - King County Airport (Boeing Field) (non CX)
 - Specialized police services (SWAT, Bomb, K-9, etc.)

Root Causes, Cont'd.

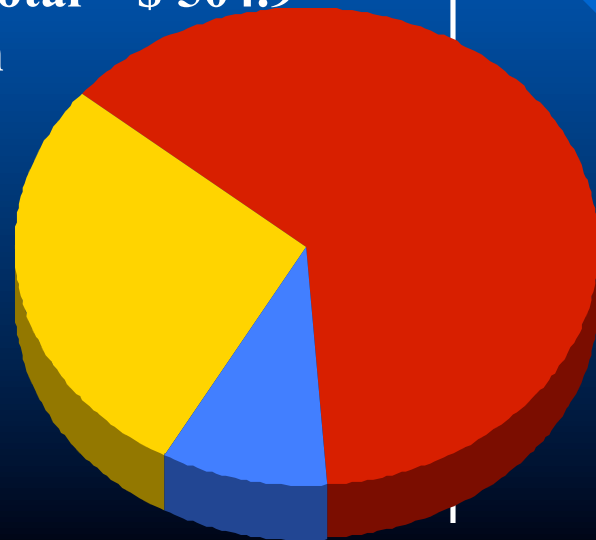
- *Third:* Service Costs— which primarily consist of salaries and benefits--are growing each year

Direct and Indirect Salary & Benefit Costs to CX/CJ Fund

CX \$ 488.6
m

CJ \$ 16.3
m

Total \$ 504.9
m



Direct Labor

Indirect Labor

Other

<u>Budget</u>	<u>'03 Budget</u>	<u>% of</u>
Direct Salaries/Benefits	\$ 317.0 m	62.8 %
Indirect Salaries/Benefits	\$ 46.5 m	9.2 %
<u>Non-Labor</u>	<u>\$ 141.4 m</u>	<u>28.0 %</u>
Total CX/CJ		\$ 504.9 m
		100.0 %

Salaries and Benefits

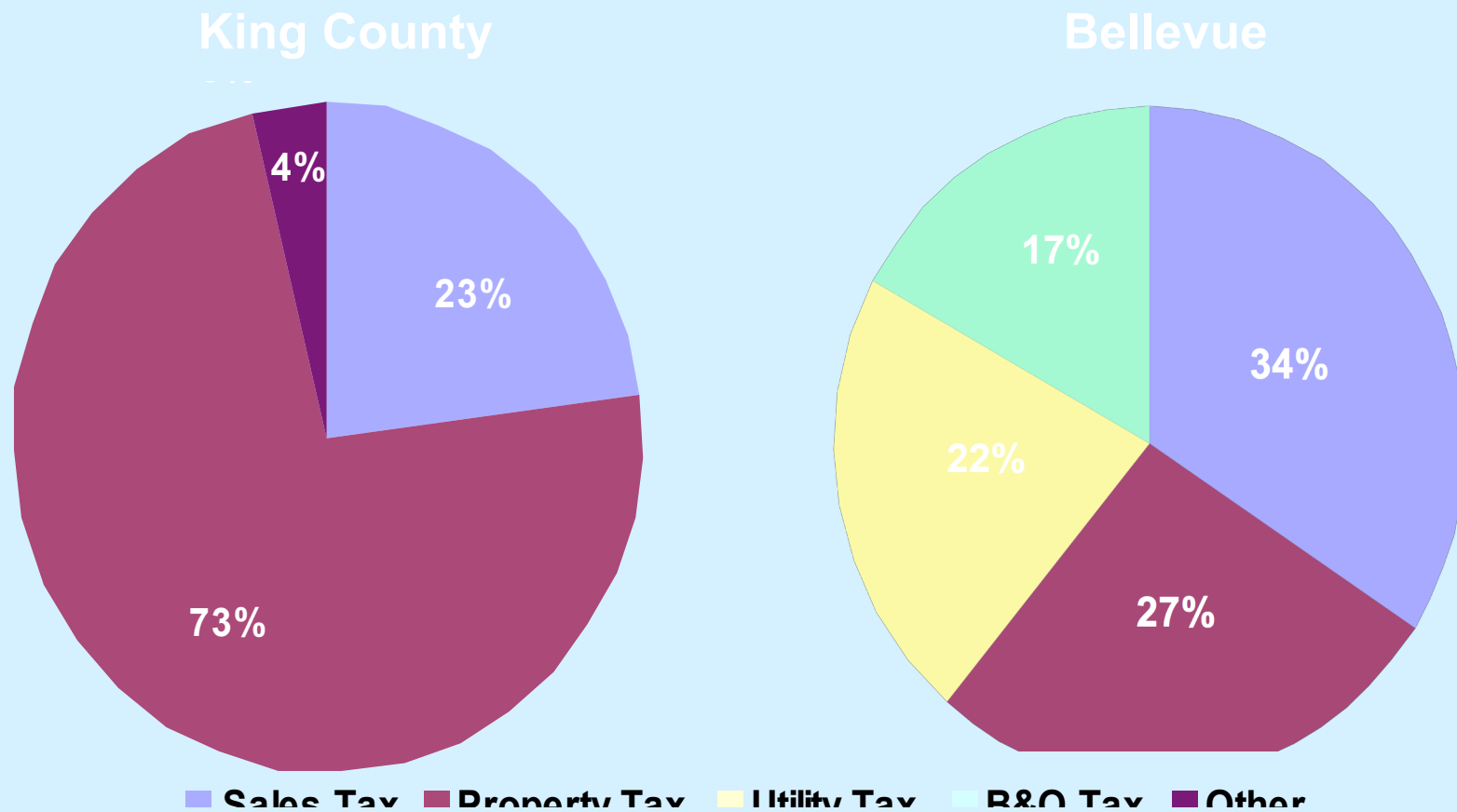
- Salary costs going up about 5% per year.
- Benefits Costs in last five years have increased on average about 10% per year—tracking the national average
- Rate of benefits costs increases expected to rise in the next few years to around 15% per year
- In aggregate, costs of doing business in general government are growing at rate of 5.5 – 6.5% per year.

Root Causes, Cont'd.

- *Fourth:* The County has a limited revenue base, largely dependent on property taxes—growth of which is capped by I-747.

King County vs. Bellevue

Current Expense Tax Revenues: King County is more dependent upon property tax revenues than cities



Data source: King County 2003 Budget, Bellevue Preliminary 2003-2004 Budget

Results of Property Tax Dependence

- Aggregate general revenue growth estimated at $< 2\%$ per year for foreseeable future.
- Over \$90 million cut in CX budgets in last 2 years.
- \$15 - \$25 million in cuts required each year in the future

Root Causes, Cont'd.

- *Fifth: The subsidy of urban unincorporated areas: Conflicting constituencies, multiple service obligations have led to misalignment of revenues and expenditures.*
- In total, \$42 M /year more is spent in unincorporated areas (rural and urban) than those areas generate in taxes.

The Unincorporated Area Challenge

- 218,000 people live in unincorporated *urban* King County
- Another 134,000 people live in *rural* King County.
- Unincorporated *urban* area population equivalent to the second largest city in the state.
- County has permanent obligation to provide local services to *rural* areas.

Urban Subsidy Calculation

Regional Revenue

Countywide Property Tax

Sales Tax collected from
within cities (15% of
1%) (*cities collect 85%
of 1%*)

15% of sales tax from
unincorporated areas
(15% of 1%)

CJ sales tax—reg'l share

Local Revenue

Unincorporated Area
Property Tax

*85% of sales tax from
unincorporated area
(85% of 1%)*

SWM fees

REET

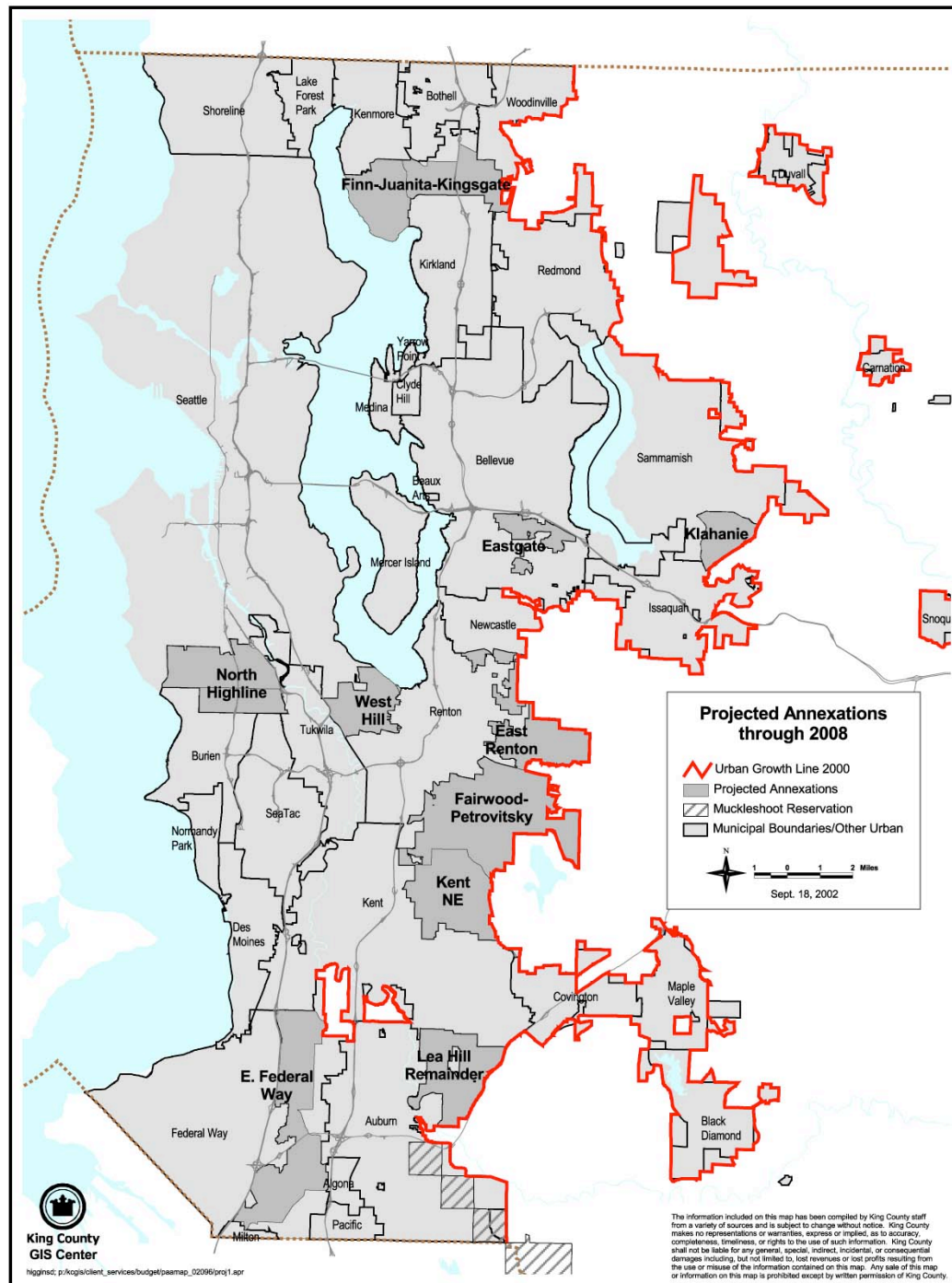
CJ sales tax--local share

Urban Subsidy

- Over 60% of local revenues are spent on roads: all of the unincorporated area property tax.
- Regional revenues drained to pay for local sheriff, other local services (jail, court, etc. for unincorporated areas)
- Unincorporated areas getting more than they're paying for.
- Rural subsidy of some level anticipated, approved by Countywide Planning Policies.
- Annexations anticipated under GMA have not been completed, leaving County with urban service responsibility but without "city" taxing tools.

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Root Causes, Cont'd.

- *Sixth:* Complex organization, politicized environment, lack of strong central systems, lack of uniform business practices, challenging corporate culture

Recommendations:

4 areas

- Service priorities
- Administrative Efficiencies
- Aligning Services and Revenues
- Revenues

Recommendations: Service Priorities

- No major areas to stop providing service.
- Must examine programs, means and methods of service delivery.
- Secure full cost recovery on contracts to cities.
- Region should discuss ways to eliminate overlap in providing special police units
- Need long-term financing plan for parks and human services

Recommendations:

Administrative and Operational Efficiencies

- All levels, all parts, of government need to find efficiencies.
- Law Safety and Justice leaders have critical role in finding efficiencies: they consume over 70% of CX dollars
- Need better budget transparency: regional, local
- Streamline, unify management practices

Admin. Efficiencies Cont'd.

- Invest in central systems.
- Re-examine labor policies: engage employees in ways to find efficiencies. Must consider contracting out if can save money.
- Collaborate with other governments, other parts of County government.

Recommendations:

Aligning Services and Revenues

- “Urban subsidy” cannot continue: cannot keep draining regional service budgets to fund local services in urban unincorporated areas.

Urban Subsidy

- How to resolve?
 - Annex all remaining urban areas to cities, per GMA
 - Secure new taxing authority to ensure residents pay the costs of services received (utility tax)
 - Cut services provided to match revenue
 - Re-allocate existing revenue

Aligning Services and Revenues, cont'd.

- Five-pronged approach, 3-year term:
 - Engage Residents: need to annex
 - Engage Cities: need to annex
 - Trim service levels in urban unincorporated areas
 - Re-allocate existing revenues—less to roads, more to priorities such as public safety
 - Seek urban area, non-voted utility tax authority from legislature

Annexation

- Three methods:
 - Petition (50% A.V., 50% residents)
city or residents can initiate
 - Election (50% + one of area to be annexed)
city or residents can initiate; city must request and fund election
 - Agreement between County and City, subject to referendum. (for “islands” only)
cannot force either party to participate

Recommendations:

Revenues

- State must grant more flexibility in fee setting.
- State should provide more support for mandated functions such as courts.
- State should grant County ability to levy non-voted utility tax authority for urban unincorporated areas—mirroring existing city authority.

Conclusions:

- County is at center of three different pressures: growth management; property tax revolt; state mandates to provide both regional and local service.
- No silver bullet.
- Service cuts will occur every year.
- New ways of doing business, efficiencies must be put in place to slow rate of cuts.
- Annexation/urban subsidy is biggest dollar item on table— requires cooperation of cities, residents.
- State could provide important relief on revenue side.